PCIP Pre-Existing Condition Insurance Plan

FAQs on PCIP Premium Reductions

Q. What prompted the rate reductions announced today by the Pre-Existing Condition Insurance Plan in California?

A. On May 31, U.S. Health and Human Services Secretary Kathleen Sebelius announced new guidance on methodologies for calculation of premium rates for PCIP. The federal government was implementing the new methodologies in the 23 states where it operated PCIP and allowed the other 27 states operating their own PCIPs to review the new methodologies for opportunities to reduce their states' premium rates for subscribers. The Managed Risk Medical Insurance Board lowered premiums in the California PCIP in order to make the program more affordable and promote access.

Q. What did California do with this new information in the federal guidance notification?

A. The Managed Risk Medical Insurance Board, which operates the California PCIP under a contract with the federal government, submitted the new guidance for actuarial review to determine whether the new methodologies would lead to premium savings for California subscribers. The results of this actuarial review are the premiums, announced today, that received federal approval for implementation.

Q. How much will the new lowered premiums save California PCIP subscribers?

A. On an average, the new rates are 17.9 percent lower than the previous rates, which, incidentally, had already been reduced for some age groups once in 2011. An example of the savings for California PCIP subscribers is evidenced by the monthly premium decrease from $339 to $269 for a 40-year-old Los Angeles resident.

Q. How will the lower premium rates be put into effect?

A. Current subscribers in the program in August or September will see a credit on a subsequent billing statement or will receive a refund if they are no longer enrolled in October. For new subscribers joining the program beginning October 1, their initial premiums will reflect the lower rates.

Q. Will additional funding be needed to make up the difference between the previous premium rates and the new lower rates?

A. The state of California has a federal allotment of $761 million to operate PCIP until 2014. Beginning in 2014, new health reform laws should negate the need for special insurance for persons with pre-existing conditions; insurance carriers will be prohibited from declining or charging more to these individuals. In California, the only funding streams allowed for the program are the federal dollars and subscriber premiums.

Q. Will any other changes be made to the plan at this time?

A. The federal guidance issued last May also allows states to use a licensed medical provider's letter as proof of a pre-existing condition in lieu of declination by an insurance carrier. California also is implementing this change effective today.

Q. For persons who have not yet applied for coverage in the California PCIP, how can they join the plan?

A. The plan is open to subscribers who meet all of the following conditions: An applicant must be a California resident, U.S. citizen, national or lawfully present; have a pre-existing condition; not be enrolled in Medicare Part A or B, COBRA, Cal COBRA or no-cost Medi-Cal (Medicaid); and not have had health coverage for at least six months.

Q. How long does it take to be admitted to the plan?

A. If an application is completed <u>by</u> the 10th of the month with all supporting documentation and the applicant meets eligibility requirements, benefits will start on the first day of the calendar month following application. However, if an application with all supporting documentation is completed <u>after</u> the 10th of the month and meets eligibility requirements, benefits will start on the first day of the second calendar month following application